2010 CONSOLIDATED FINANCIAL STATEMENTS

CITY OF TORONTO FINANCIAL REPORT

MANAGEMENT'S REPORT

The management of the City of Toronto ("City") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

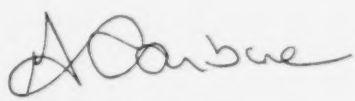
The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Audit Committee, a sub-committee of City Council ("Council"), reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. While it is important to recognize that the external audit is an independent process, the Auditor General's role is to ensure that all significant audit issues are appropriately addressed and resolved. In this context, the Auditor General participates in all significant meetings held between the external auditors and management.

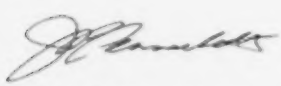
The 2010 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

Toronto, Canada
July 14, 2011



Giuliana Carbone
Treasurer

Cam Weldon
Deputy City Manager & Chief Financial Officer



Joseph P. Pennachetti
City Manager

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the **City of Toronto**

We have audited the accompanying consolidated financial statements of the City of Toronto, which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and the related notes including a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto as at December 31, 2010 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which explains that certain comparative information for the year ended and as at December 31, 2009 has been restated. The consolidated financial statements as at December 31, 2009 and for the year then ended, prior to restatement of the comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 2, 2010.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
July 14, 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2010

(with comparative figures as at December 31, 2009)

(all dollar amounts in thousands of dollars)

	2010	2009 (restated Note 2)
FINANCIAL ASSETS		
Cash	481,734	198,452
Accounts receivable (Note 3)	1,031,976	1,085,979
Property taxes receivable	300,387	313,088
Other assets (Note 4)	112,081	161,144
Investments (Note 5)	3,294,207	3,250,893
Note receivable – Toronto Hydro Corporation (Note 6)	–	490,115
Due from Toronto District School Board (Note 14)	33,815	37,837
Investments in government business enterprises (Note 7)	1,259,784	1,190,783
Total financial assets	**6,513,984**	**6,728,291**
LIABILITIES		
Bank indebtedness (Note 8)	135,329	142,235
Accounts payable and accrued liabilities (Note 9)	2,443,527	2,023,732
Deferred revenue (Note 10)	1,439,639	1,576,045
Other liabilities (Note 11)	477,004	384,506
Landfill closure and post-closure liabilities (Note 12)	121,058	123,343
Mortgages payable (Note 13)	803,636	840,627
Net long-term debt (Note 14)	2,890,472	2,798,585
Employee benefit liabilities (Note 15)	2,588,957	2,503,414
Total liabilities	**10,899,622**	**10,392,487**
NET DEBT	**(4,385,638)**	**(3,664,196)**
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 16, Schedule 1)	19,589,103	18,388,907
Inventories and prepaid expenses	281,589	206,499
	19,870,692	18,595,406
ACCUMULATED SURPLUS (Note 18)	**15,485,054**	**14,931,210**

Commitments and contingencies (Notes 17)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2010

(with comparative figures for the year ended December 31, 2009)

(all dollar amounts in thousands of dollars)

	2010 BUDGET (Note 19)	2010 ACTUAL	2009 ACTUAL (restated Note 2)
	(unaudited)		
REVENUE			
Taxation	3,688,830	3,859,765	3,655,880
Taxation from other governments	92,281	108,656	100,179
User charges	2,579,932	2,529,093	2,309,164
Funding transfers from other governments (Note 20)	3,752,573	3,173,242	2,993,468
Government Business Enterprise Earnings (Note 7)	–	153,294	115,012
Investment Income	155,934	265,990	282,217
Development charges	144,057	92,162	83,144
Rent and Concessions	315,857	372,959	355,005
Other	700,704	540,861	520,422
Total revenue	**11,430,168**	**11,096,022**	**10,414,491**
EXPENSES			
General government	1,056,940	1,065,764	803,504
Protection to persons and property	1,565,075	1,569,710	1,525,221
Transportation	2,770,454	2,833,944	2,696,197
Environmental services	1,046,129	883,897	873,684
Health services	389,640	401,271	376,463
Social and family services	2,241,798	2,040,833	1,946,444
Social housing	843,870	818,287	837,786
Recreation and cultural services	884,643	795,910	769,110
Planning and development	148,488	132,562	126,991
Total expenses (Note 21)	**10,947,037**	**10,542,178**	**9,955,400**
ANNUAL SURPLUS	**483,131**	**553,844**	**459,091**
ACCUMULATED SURPLUS – BEGINNING OF YEAR	**14,765,611**	**14,931,210**	**14,472,119**
ACCUMULATED SURPLUS – END OF YEAR (Note 18)	**15,248,742**	**15,485,054**	**14,931,210**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2010

(with comparative figures for the year ended December 31, 2009)

(all dollar amounts in thousands of dollars)

	2010 BUDGET	2010 ACTUAL	2009 ACTUAL (restated Note 2)
	(unaudited)		
Annual Surplus	**483,131**	**553,844**	**459,091**
Acquisition of tangible capital assets	(2,900,000)	(2,257,636)	(1,854,045)
Amortization of tangible capital assets	1,000,000	1,018,351	1,071,896
Loss (Gain) on disposal of tangible capital assets	–	37,025	(15,307)
Proceeds on disposal of tangible capital assets	2,000	2,064	48,492
Change due to tangible capital assets	**(1,898,000)**	**(1,200,196)**	**(748,964)**
Change in inventories and prepaid expenses	**–**	**(75,090)**	**(39,992)**
Increase in net debt	(1,414,869)	(721,442)	(329,865)
NET DEBT – BEGINNING OF YEAR	(3,664,196)	(3,664,196)	(3,334,331)
NET DEBT – END OF YEAR	**(5,079,065)**	**(4,385,638)**	**(3,664,196)**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2010

(with comparative figures for the year ended December 31, 2009)

(all dollar amounts in thousands of dollars)

	2010	2009 (restated Note 2)
OPERATING ACTIVITIES		
Annual surplus	553,844	459,091
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(153,294)	(115,012)
Amortization of tangible capital assets	1,018,361	1,071,896
Loss/(gain) on disposal of tangible capital assets	37,025	(15,307)
	1,455,926	1,400,668
Change in non-cash assets and liabilities related to operations:		
Decrease (increase) in accounts receivable	54,003	(315,747)
Decrease (increase) in property taxes receivable	12,701	(67,014)
Increase in accounts payable and accrued liabilities	419,795	52,914
Decrease in deferred revenue	(136,406)	(343,100)
Increase in other liabilities	92,498	27,257
Increase in inventories and prepaid expenses	(75,090)	(39,992)
Decrease in landfill closure and post-closure liabilities	(2,285)	(15,998)
Increase in employee benefit liabilities	85,543	117,908
Cash provided by operating activities	**1,906,685**	**816,896**
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,257,636)	(1,854,045)
Proceeds on disposal of tangible capital assets	2,064	48,492
Cash applied to capital activities	**(2,255,572)**	**(1,805,553)**
INVESTING ACTIVITIES		
(Decrease) increase in other assets	49,063	(52,381)
Redemption (purchase) of investments, net	(43,314)	568,266
Proceeds on repayment of note receivable – Toronto Hydro Corporation	528,000	245,060
Gain on sale of note receivable – Toronto Hydro Corporation	(37,885)	–
Proceeds on repayment of due from Toronto District School Board	4,022	3,935
Dividends and distributions from government business enterprises	84,293	81,058
Cash provided by investing activities	**584,179**	**845,938**
FINANCING ACTIVITIES		
(Decrease)/Increase in bank indebtedness	(6,906)	81,375
Principal repayments on mortgages payable	(36,991)	(28,775)
Proceeds from long-term debt issued	965,185	402,504
Principal repayments on long-term debt	(816,666)	(298,062)
Interest earned on sinking funds	(52,610)	(43,149)
Principal repayments on debt by Toronto District School Board	(4,022)	(3,935)
Cash provided by financing activities	**47,990**	**109,958**
Net increase (decrease) in cash during the year	283,282	(32,761)
CASH – BEGINNING OF YEAR	198,452	231,213
CASH – END OF YEAR	**481,734**	**198,452**
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	256,160	221,377
Cash received for interest on investments	234,027	240,609

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 *(all dollar amounts in thousands of dollars)*

The City of Toronto (the "City") is the largest city in Canada, and is the provincial capital of Ontario. The City was incorporated March 6, 1834. In 1998, the existing City was formed through the amalgamation of the City, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York. The City operates under the provisions of the City of Toronto Act, 2006.

1. Summary of Significant Accounting Policies

Basis of accounting

The consolidated financial statements of the City have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants ("CICA").

Principles of consolidation

The consolidated financial statements include all organizations that are accountable for the administration of their financial affairs and resources to City Council ("Council") and are controlled by the City. These statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and each entity, except for government business enterprises which are accounted for by the modified equity basis of accounting and the Toronto Waterfront Revitalization Corporation which is accounted for by proportionate consolidation.

Consolidated entities:

Agencies, Boards and Commissions:

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Heritage Toronto
- The North York Performing Arts Centre Corporation
- The Sony Centre for the Performing Arts
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund ("TAF")
- Toronto Board of Health
- Toronto Community Housing Corporation ("TCHC")
- Toronto Licensing Commission
- Toronto Police Services Board
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC" previously "TEDCO")
- Toronto Public Library Board
- Toronto Transit Commission ("TTC")
- Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- Yonge-Dundas Square
- Build Toronto Inc. (Incorporated November 13, 2008)
- Invest Toronto Inc. (Incorporated November 13, 2008)

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve Community
- William H. Bolton

Community Centres:

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Harbourfront
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

Business Improvement Areas:

- Albion/Islington Square
- Bloor Annex
- Bloor by the Park
- Bloorcourt Village
- Bloordale Village
- Bloor Street
- Bloor West Village
- Bloor-Yorkville
- Cabbagetown
- Chinatown
- Church-Wellesley Village
- College Promenade
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- Dundas West
- Eglinton Hill
- Emery Village
- Fairbank Village
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Kingsway
- Korea Town
- Lakeshore Village
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Danforth
- The Dupont Strip
- The Eglinton Way
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wychwood Heights
- Yonge-Lawrence Village
- York-Eglinton

All inter-fund assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

Government business enterprises

The following entities are accounted for in these consolidated financial statements as government business enterprises using the modified equity basis of accounting. Under the modified equity basis, the accounting principles of government business enterprises are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are however, eliminated on assets remaining within the government reporting entities at the reporting date.

- Enwave Energy Corporation ("Enwave")
- Toronto Hydro Corporation
- Toronto Parking Authority

Trust funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately on the Trust Fund Statement of Continuity and the Trust Fund Balance Sheet (Note 23).

Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities, property tax assessment appeals, property, liability and accident claims provisions, landfill closure and post-closure liabilities, and environmental provisions, are based on management's best information and judgment. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

Tax revenues

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the City of Toronto Act, 2006, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all of Ontario's municipalities. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property (assessed by MPAC) and the tax rate for the class (approved by Council), together with any adjustments that reflect Council-approved mitigation or other tax policy measures, rebate programs, etc.

Property taxes are billed by the City twice annually. The interim billing, issued in January, is based on 50% of the total property's taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year prior to Council's approval of the final operating budget and the approved property tax levy for the year. Final bills are issued in May, following Council's approval of the capital and operating budget for the year, the total property tax levy, and the property tax rates needed to fund the City's operations.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive up to four supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced by reductions in assessment values resulting from assessment and/or property tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

In Toronto, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

In October 2005, Council adopted a staff report entitled "Enhancing Toronto's Business Climate – It's Everybody's Business," that introduced a number of new tax policy initiatives that began in 2006. These changes included limiting allowable annual tax increases on these property classes to 5% of the previous year's full CVA taxation level, and gradually reducing the proportion of the total property tax levy that is borne by the commercial, industrial and multi-residential classes through 2020.

Beginning in 2008, the City implemented two new taxes: the Municipal Land Transfer Tax and the Personal Vehicle Tax. These taxes apply to land sales and renewals of vehicle licenses. The revenues are transaction-based and are recognized at the time of the transaction: either registration of the sale of land or renewal of the personal vehicle license. In December 2010, Personal Vehicle Tax was discontinued for all renewals with an effective date of January 1, 2011 and beyond.

User charges

User charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, fees for use of various programs, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be made.

Development charges

Development charges are charges imposed on land development or redevelopment projects. Fees are set out in a City bylaw, which conforms to the requirements of the Development Charges Act, 1997. Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund capital projects.

Other revenue

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the year that the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.

Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. The majority of investments consists of authorized investments pursuant to provisions of the City of Toronto Act, 2006 and comprises government and corporate bonds, debentures and short-term instruments of various financial institutions. TCHC and TAF have their own investment policies, which allow them to invest in equities.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

Property and liability claims

Estimated costs to settle property and liability claims are actuarially determined, based on available loss information and projections of the present value of estimated future expenditures developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the consolidated statement of financial position.

TTC unsettled accident claims

The TTC has a self-insurance program for automobile and general liability claims. When the claims are reported, the case reserves are initially estimated on an individual basis by adjusters and lawyers employed by the TTC. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance and costs can be reasonably determined.

The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expense, and are included in other liabilities on the consolidated statement of financial position.

Landfill closure and post-closure liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the consolidated statement of financial position.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year the related expenses are incurred or services are performed as this is the time the eligibility criteria have been met.

Derivative financial instruments

A derivative financial instrument (interest rate swap) is used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the consolidated statement of operations and accumulated surplus. The City also utilizes derivative financial instruments in the management of its purchase of electricity and natural gas. The City's policy is not to use derivative financial instruments for trading or speculative purposes. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the consolidated statement of operations and accumulated surplus.

Employee benefit liabilities

The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefit liabilities are actuarially determined using the projected benefits method pro-rated on service and management's best estimates of retirement ages of employees, salary escalation, expected health costs and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on long-term municipal debentures.

The costs of workplace safety and insurance obligations are actuarially determined and are expensed in the period they occur.

Tangible capital assets

Tangible capital assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the acquisition, construction, development or betterment of an asset. The cost less expected residual value is amortized on a straight-line basis, over the estimated useful lives of the assets, at the following rates:

Asset	
Land improvements	15 – 70 years
Buildings and building improvements	25 – 100 years
Machinery and equipment	4 – 60 years
Motor Vehicles	6 – 20 years
Water and wastewater linear	60 – 100 years
Roads linear	25 – 70 years
Transit	10 – 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Donated tangible capital assets are recorded at estimated fair market value as at the date of donation, and are also recorded in revenue.

Works of art, cultural, and historic assets are not recorded as assets in these consolidated financial statements.

The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost of normal maintenance and repairs which does not add value to the asset or materially extend asset lives is not capitalized.

Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the consolidated statement of financial position. Other reserve funds and reserves are balances within the accumulated surplus.

2. Restatement of Prior Period Consolidated Financial Statements

During the year, a review of the accounting for the TTC Pension Plan was undertaken and it was determined that the plan best reflects a joint defined benefit plan, as defined in Section 3250 of the Public Sector Accounting Handbook, as the Commission and the employee group jointly share the risks and rewards inherent in the plan. Previously, the City recognized amounts paid as an expense, similar to defined contribution plans. As a joint defined benefit plan, the City is required to account for its portion of the plan in accordance with the standards required for defined benefit plans. As a result, the City recognized its portion of the pension expense incurred during the year and its portion of the plan's assets (subject to certain limits). This change is being accounted for on a retroactive basis, with prior period restatement, in accordance with Section 2120 of the Public Sector Accounting Handbook.

The impacts of this change are as follows:

Consolidated Statement of Financial Position

	2009 (as reported)	2009 (as restated)	Change
	$	$	$
Employee benefit liabilities	2,669,013	2,503,414	(165,599)
Accumulated surplus	14,765,611	14,931,210	165,599

Consolidated Statement of Operations

	2009 (as reported)	2009 (as restated)	Change
	$	$	$
Transportation	2,658,085	2,696,197	38,112
Total expenses	**9,917,288**	**9,955,400**	**38,112**
Annual surplus	**497,203**	**459,091**	**(38,112)**
Accumulated surplus, beginning of year	**14,268,408**	**14,472,119**	**203,711**
Accumulated surplus, end of year	**14,765,611**	**14,931,210**	**165,599**

Note 15 provides additional detail regarding the TTC Pension Plan

3. Accounts Receivable

Accounts receivable consist of the following:

	2010	2009
	$	$
Government of Canada	254,476	245,362
Government of Ontario	149,997	229,066
Other municipal governments	40,065	20,940
School Boards	1,786	199
Utility fees	115,205	122,407
Other fees and charges	470,447	468,005
	1,031,976	**1,085,979**

4. Other Assets

Other assets consist of the following:

	2010	2009
	$	$
Loans receivable from Dundas and Parliament Development Corporation ("DPDC"), advanced under five separate non-revolving term facilities, which will not be extended beyond the third anniversary of the initial drawdown of each facility unless a one-year extension at the option of DPDC is consented to by TCHC. These loans bear interest at the bank's prime rate plus 0.28%, with an estimated interest rate of 2.905% (2009 – 2.53%) per annum.	26,366	59,554
Loan receivable from a developer to advance funds for the interim financing of the development in Don Mount Court, due at the earliest of completion or two years after the first advance, bearing interest at the bank's prime rate plus 0.5%, with an effective rate of 2.75% (2009 – 2.75%) per annum. This loan was repaid in full on Nov. 25, 2010.	–	10,736
Loan receivable bearing interest at 5.61% per annum, maturing in 2017 with a balloon payment of $12,200	25,578	26,922
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2009 – 0% to 5%) per annum, maturing from 2011 to 2059.	50,245	43,387
Other	9,892	20,545
	112,081	**161,144**

5. Investments

Investments consist of the following:

	2010		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	498,451	527,682	498,451
Provincial government bonds	1,150,558	1,222,088	1,150,558
Municipal government bonds	526,466	560,931	526,466
Money market instruments	428,360	428,360	428,360
Corporate bonds	461,284	478,245	461,284
Other	231,113	247,397	229,088
	3,296,232	**3,464,703**	**3,294,207**

	2009		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	668,637	681,669	668,637
Provincial government bonds	1,280,923	1,328,268	1,280,923
Municipal government bonds	563,408	582,190	563,408
Money market instruments	15,742	15,742	15,742
Corporate bonds	497,239	508,101	497,239
Other	227,419	259,226	224,944
	3,253,368	**3,375,196**	**3,250,893**

Municipal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $65,973 (2009 – $61,202).

The weighted average yield on the cost of the bond investment portfolio during the year was 5.20% (2009 – 4.42%). Maturity dates on investments in the portfolio range from 2011 to 2039 (2009 – 2010 to 2038). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 3.95% to 8.65% (2009 – 3.95% to 8.65%) with a carrying value of $182,703 (2009 – $219,033).

Other investments consist of the following:

	2010		
	Cost	Market value	Carrying value
	$	$	$
City investments	231	231	231
TCHC			
– Pooled investments	159,806	175,359	159,806
– Cash management funds	43,949	43,949	43,949
– Term deposits and other	4,599	4,599	4,599
TAF	11,573	12,304	9,548
Build Toronto	1,662	1,662	1,662
Toronto Portlands	9,293	9,293	9,293
	231,113	**247,397**	**229,088**

	2009		
	Cost	Market value	Carrying value
	$	$	$
City investments	40,964	59,307	40,964
TCHC			
– Pooled investments	149,969	163,813	149,969
– Cash management funds	2,117	2,117	2,117
– Term deposits and other	21,234	21,234	21,234
TAF	13,135	12,755	10,660
	227,419	**259,226**	**224,944**

6. Note Receivable – Toronto Hydro Corporation

On April 1, 2010, the Toronto Hydro Corporation note receivable of $490,115 was sold to a third party for cash consideration of $528,000, resulting in a gain on sale of $37,885. The funds were placed in the Strategic Infrastructure Partnership Reserve Fund. Subsequently $600,000 from the Strategic Infrastructure Partnership Reserve Fund was deposited into the City Sinking Fund to prepay certain sinking fund debentures.

7. Investments in Government Business Enterprises

Government business enterprises consist of 100% interest in Toronto Hydro Corporation, Toronto Parking Authority, and an approximate 43% interest in Enwave. Details of the continuity of the book value of these investments are as follows:

	2010	2009
	$	$
Balance – beginning of year	1,190,783	1,156,829
Income from operations (Appendix 1)	150,016	108,061
Dividends received (Appendix 1)	(25,000)	(25,170)
Distribution to City (Appendix 1)	(59,293)	(55,888)
Change in net book value of streetlighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	2,984	6,355
Change in net book value of water infrastructure assets eliminated on transfer from Enwave (Appendix 1)	294	596
Balance – end of year (Appendix 1)	**1,259,784**	**1,190,783**

Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements. The results presented in Appendix 1 relate to fiscal years ended December 31 for Toronto Hydro Corporation and Toronto Parking Authority, October 31 for Enwave.

Related party transactions between the City and its government business enterprises are as follows:

	2010	2009
	$	$
Received by the City: These amounts are included in expenses of the appropriate government business enterprise in the condensed financial results reported in Appendix 1 to these consolidated financial statements		
Interest on note receivable from Toronto Hydro Corporation (Note 6)	7,487	44,919
Purchased by the City: This amount is included in revenues of Toronto Hydro Corporation in the condensed financial results reported in Appendix 1 to these consolidated financial statements		
Streetlighting, electricity, and maintenance services from Toronto Hydro Corporation	141,912	130,642

8. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100,000 (2009 – $100,000) bearing interest at the bank's prime rate (2009 – bank's prime rate less 0.5%) with an effective rate during 2010 of 3.0% (2009 – 2.44%) per annum. During 2010 the unsecured demand revolving credit facility was temporarily increased to $150,000 from February 9, 2010 through March 1, 2010, and then reverted back to $100,000.

TCHC has a committed revolving credit facility of $200,000 (2009 – $200,000) that is available for short-term advances and letters of credit, of which $63,176 (2009 – $78,860) has been utilized. Short-term advances are available by way of Bankers' Acceptance ("BA") and are repayable at maturity of the term on May 6, 2011.

The interest charges are at the BA rate plus 1.10% for an effective rate of 2.22% (2009 – 2.74%) per annum. As at December 31, 2010, TCHC also has outstanding letters of credit of $10,716 (2009 – $8,579).

On May 28, 2010, Build Toronto Inc. re-financed its loan payable by entering into an interest only bridge loan of $29,000 with a government agency that matures on May 28, 2011 and bears interest at prime.

Bank indebtedness consists of the following:

	2010	2009
	$	$
City, net outstanding cheques	43,153	33,375
TCHC	63,176	78,860
Build Toronto Inc.	29,000	30,000
	135,329	**142,235**

9. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2010	2009
	$	$
Trade payables and accruals	1,593,677	1,273,534
School boards	177,695	143,902
Provision for assessment appeals on property taxes paid	452,766	411,997
Credit balances on property tax accounts	57,852	63,889
Wages accruals	161,537	130,410
	2,443,527	**2,023,732**

10. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, City bylaws, or agreements are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2010	2009
	$	$
Restricted by Provincial legislation		
Development Charges	273,942	248,943
Recreational Land (Planning Act)	204,200	179,419
Subdividers' Deposits	13,724	13,676
Building Code Act Service Improvement	11,168	10,675
Provincial Gas Tax	–	711
	503,034	453,424
Restricted by other agreements		
Public Transit Funds	485,136	550,981
Water and Wastewater	2,674	67,351
Community Services	67,129	61,693
Third Party Agreements	25,424	21,556
State of Good Repair	9,966	26,854
Parking Authority	2,423	1,687
	592,752	730,122
Total obligatory reserve funds	**1,095,786**	**1,183,546**

(b) Advanced payments and contributions

Revenues received for advance payments for tickets and building permits, program registration fees, contributions from developers according to Section 37 of the Planning Act and revenues deferred for TCHC's capital asset replacements are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2010	2009
	$	$
Community Services	62,710	59,324
Planning Act	29,394	15,419
Section 37/45	1,519	2,571
Long-Term Care – Public Health and Housing	8,811	8,357
Police	5,734	17,194
Parks	6,811	3,935
Ontario Bus Replacement Program	555	45,108
Infrastructure Stimulus Funds	–	13,716
Other	85,836	98,806
Agencies, Boards and Community Centres	142,483	128,069
Total advance payments and contributions	**343,853**	**392,499**
(c) Total Deferred Revenue (10 (a) and 10 (b))	**1,439,639**	**1,576,045**

11. Other Liabilities

Other liabilities consist of the following:

	2010	2009
	$	$
Property and liability claims provision (Note 17b)	218,808	155,421
TTC – unsettled accident claims (Note 17b)	142,884	125,694
TPLC – environmental liabilities (Note 17j)	47,663	47,625
TTC – environmental liabilities (Note 17i)	6,218	6,485
Other	61,431	49,281
	477,004	**384,506**

12. Landfill Closure and Post-Closure Liabilities

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

Active Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long-term disposal requirements. The landfill is located in the Township of Southwold, Elgin County, Ontario. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2009 – 5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2010 is $3,088 (2009 – $2,129), based on the percentage of total approved capacity used of 26.36% (2009 – 24.84%).

Inactive Sites

The City has identified 160 (2009 – 161) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 17k).

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2009 – 5%). The estimated present value of future expenditures for post-closure care as at December 31, 2010 was $117,970 (2009 – $121,214).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the solid waste management perpetual care reserve fund as at December 31, 2010 was $29,998 (2009 – $31,322) and is included as part of the State of Good Repair Reserve Fund (Note 18), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2010 was $7,421 (2009 – $7,409) (Note 23).

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2010 was $482 (2009 – $909) and the balance in the Green Lane Perpetual Care account as at December 31, 2010 was $878 (2009 – $655). Total contributions to the Green Lane Perpetual Care account of $221 (2009 – $218) were based on a contribution rate of 70¢ (2009 – 70¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of The State of Good Repair Reserve Fund (Note 18).

The total landfill closure and post-closure liabilities are as follows:

	2010	2009
	$	$
Active landfill site (Green Lane)	3,088	2,129
Inactive landfill sites	117,970	121,214
	121,058	**123,343**

Landfill closure and post-closure costs totaling $5,390 (2009 – $3,052) were expensed during the year.

13. Mortgages Payable

Mortgages payable are as follows:

	2010	2009
	$	$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.65% to 13.27% (2009 – 2.86% to 13.27%) per annum, with maturities ranging from 2011 to 2043, and collateralized by housing properties owned by TCHC with a net book value of approximately $1,477,000 (2009 – $1,469,000)	803,636	840,627

Principal repayments are due as follows:

	$
2011	38,590
2012	40,537
2013	42,644
2014	44,773
2015	46,970
Thereafter	590,122
	803,636

Principal payments made in 2010 were $36,991 (2009 - $28,775)

14. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation allows the City to issue debt on behalf of the Toronto District School Board ("TDSB") at TDSB's request. The responsibility of raising the amounts to service these liabilities lies with TDSB. The debt is a direct, joint and several obligation of the City and TDSB.

The net unsecured long-term debt reported on the consolidated statement of financial position comprises the following:

	2010	2009
	$	$
Debentures issued by the City, bearing interest at various rates ranging from 1.56% to 8.65% (2009 –1.56% to 8.65%) per annum, maturing from 2011 to 2040.	3,682,670	3,300,318
Debt issued by TCHC bearing interest at various rates ranging from 4.55% to 5.39% (2009 – 4.55% to 5.11%) per annum, maturing from 2011 to 2043. Included in this debt is a non-revolving term loan of $42,928 (2009 – $45,424) bearing interest at the 30-day BA rate plus 0.2% for an effective rate of 1.32% (2009 – 0.5%) per annum and maturing in 2018. TCHC has entered into an interest rate swap agreement to fix the term loan rate at 4.55% plus a 20 basis point BA stamping fee, maturing February 15, 2018. The estimated fair value loss of the interest rate swap at December 31, 2010 is $4,193 (2009 – $3,509).	574,315	320,534
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.1% (2009 – 6.1%) per annum, maturing from 2011 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2009 – 2.76%) per annum, with no fixed maturity date.	170,171	170,171
Loan payable, bearing interest at 8.05% (2009 – 8.05%) per annum, maturing in 2018.	1,194	1,301
Sinking fund deposits bearing interest at rates between 4% and 6% (2009 – 4% to 6%) per annum.	(1,571,693)	(1,031,576)
Sinking fund deposits – TDSB, bearing interest at 5% (2009 – 5%) per annum.	(42,031)	(38,009)
	2,890,472	**2,798,585**

Principal repayments are due as follows:

	$
2011	492,495
2012	322,290
2013	297,092
2014	287,497
2015	223,474
Thereafter	1,267,624
	2,890,472

Principal payments made in 2010 were $816,666 (2009 – $298,062).

Included in net long-term debt are outstanding debentures of $3,398,000 (2009 – $3,058,000) for which there are sinking fund assets with a carrying value of $1,621,243 (2009 – $1,077,288) and a market value of $1,704,817 (2009 – $1,133,021).

Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures, and corporate bonds. Government and government-guaranteed bonds and debentures include City of Toronto debentures with a carrying value of $141,617 (2009 – $123,592) and a market value of $153,676 (2009 – $131,511).

The City's net long-term debts are to be recovered from the following sources:

	2010	2009
	$	$
Property taxes	2,282,342	2,440,214
TCHC	574,315	320,534
TDSB (Note 18)	33,815	37,837
	2,890,472	**2,798,585**

15. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	2010	2009
	$	$
Future payments required for:		
Sick leave benefits (a)(i)	434,545	429,000
WSIB obligations (a)(ii)	392,453	357,725
Other employment and post-employment benefits (a)(iii)	1,749,266	1,565,054
Pension liabilities (b)	29,185	109,685
Total employee accrued benefit obligation	2,605,449	2,461,464
Unamortized actuarial (loss)/gain	(16,492)	41,950
Employee benefit liabilities	**2,588,957**	**2,503,414**

The continuity of the City's employee benefit liabilities, in aggregate, is as follows:

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,503,414	2,559,328	(165,599)	109,685
Current service costs	239,544	188,681	50,863	–
Interest cost	109,136	119,340	(6,220)	(3,984)
Amortization of actuarial loss/(gain)	(85,591)	1,629	28,253	(115,473)
Employer contributions	(84,785)	–	(84,785)	–
Benefits paid	(194,269)	(183,047)	–	(11,222)
Plan amendments	1,837	(2,312)	4,149	–
Change in valuation allowance	99,671	–	49,492	50,179
Balance – end of year	**2,588,957**	**2,683,619**	**(123,847)**	**29,185**

	2009			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,385,507	2,439,289	(203,711)	149,929
Current service costs	212,695	168,633	44,062	–
Interest cost	145,638	141,647	(4,245)	8,236
Amortization of actuarial loss/(gain)	9,077	11,423	29,407	(31,753)
Employer contributions	(76,599)	–	(76,599)	–
Benefits paid	(173,499)	(164,510)	–	(8,989)
Plan amendments	(30,998)	(37,154)	6,156	–
Change in valuation allowance	31,593	–	39,331	(7,738)
Balance – end of year	**2,503,414**	**2,559,328**	**(165,599)**	**109,685**

The continuity of the accrued benefit obligation, in aggregate, is as follows:

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	5,906,879	2,451,973	1,564,102	1,890,804
Current service cost	239,544	188,681	50,863	–
Interest cost	323,842	119,340	98,452	106,050
Amortization of actuarial loss/(gain)	(9,412)	1,629	54,944	(65,985)
Benefits paid	(440,475)	(183,047)	(79,473)	(177,955)
Plan amendments	1,837	(2,312)	4,149	–
Balance – end of year	**6,022,215**	**2,576,264**	**1,693,037**	**1,752,914**

	2009			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	5,502,255	2,231,740	1,412,155	1,858,360
Current service cost	212,695	168,633	44,062	–
Interest cost	358,048	141,647	95,735	120,666
Amortization of actuarial loss/(gain)	190,903	11,423	81,843	97,637
Benefits paid	(426,218)	(164,510)	(75,849)	(185,859)
Plan amendments	(30,998)	(37,154)	6,156	–
Balance – end of year	**5,806,685**	**2,351,779**	**1,564,102**	**1,890,804**

The continuity of the plan asset is as follows:

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,496,131	–	1,672,091	1,824,040
Contributions	96,007	–	84,785	11,222
Actual return on assets	332,637	–	173,115	159,522
Benefits paid	(257,428)	–	(79,473)	(177,955)
Balance – end of year	**3,667,347**	**–**	**1,850,518**	**1,816,829**

	2009			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,239,903	–	1,480,813	1,759,090
Contributions	85,588	–	76,599	8,989
Actual return on assets	432,348	–	190,528	241,820
Benefits paid	(261,708)	–	(75,849)	(185,859)
Balance – end of year	**3,496,131**	**–**	**1,672,091**	**1,824,040**

The reconciliation of the plan assets and accrued benefit obligation to the amounts in the statement of financial position is as follows:

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	6,022,215	2,576,264	1,693,037	1,752,914
Plan assets	3,667,347	–	1,850,518	1,816,829
Funding deficit (surplus)	2,354,868	2,576,264	(157,481)	(63,915)
Unamortized actuarial (losses) gains	(16,492)	107,355	(123,847)	–
Valuation allowance	250,581	–	157,481	93,100
Employee benefit liability (asset)	**2,588,957**	**2,683,619**	**(123,847)**	**29,185**

	2009			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	5,806,685	2,351,779	1,564,102	1,890,804
Plan assets	3,496,131	–	1,672,091	1,824,040
Funding deficit (surplus)	2,310,554	2,351,779	(107,989)	66,764
Unamortized actuarial (losses) gains	41,950	207,549	(165,599)	–
Valuation allowance	150,910	–	107,989	42,921
Employee benefit liability (asset)	**2,503,414**	**2,559,328**	**(165,599)**	**109,685**

The total expenses related to these employee benefits include the following components:

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	239,544	188,681	50,863	–
Interest cost	109,136	119,340	(6,220)	(3,984)
Amortization of actuarial loss/(gain)	(85,591)	1,629	28,253	(115,473)
Plan amendments	1,837	(2,312)	4,149	–
Change in valuation allowance	99,671	–	49,492	50,179
Total expense	**364,597**	**307,338**	**126,537**	**(69,278)**

	2009			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	212,695	168,633	44,062	–
Interest cost	145,638	141,647	(4,245)	8,236
Amortization of actuarial loss	9,077	11,423	29,407	(31,753)
Plan amendments	(30,998)	(37,154)	6,156	–
Change in valuation allowance	31,593	–	39,331	(7,738)
Total expense	**368,005**	**284,549**	**114,711**	**(31,255)**

a) Sick leave benefits, WSIB obligations, and other employment and post-employment benefits

Actuarial valuation reports were prepared for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board ("WSIB") benefit plans for the City, Toronto Police Services and the City's Agencies, Boards and Commissions as at December 31, 2010 with results extrapolated to December 31, 2011 and 2012. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit costs for these post-retirement and post-employment, and other retirement benefits are as follows:

	2010	2009
Discount rate for accrued benefit obligation:		
Post-employment	4.0%	4.4%
Post-retirement	4.7%	5.3%
Sick leave	4.4%	4.4%
WSIB	4.0%	4.4%
Rate of compensation increase	3.0% to 3.5%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.57% to 10.1%	7.64% to 10.1%
Health care inflation – Dental care	3.8% to 10.1%	4.0% to 10.1%
Health care inflation – Drugs	7.6% to 10.1%	7.8% to 10.1%

	2010	2009
Discount rate for benefit costs:		
Post-employment	4.4%	4.65%
Post-retirement	5.3%	5.0%
Sick leave	4.4%	5.0%
WSIB	4.4%	5.0%
Rate of compensation increase	3.0% to 3.5%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.64% to 10.1%	4.5% to 10.1%
Health care inflation – Dental care	4.0% to 10.1%	7.0% to 10.1%
Health care inflation – Drugs	7.8% to 10.1%	7.8% to 10.1%

For 2010 benefit costs and year end 2010 benefit obligation, the health care inflation rate for LTD, hospital, other medical, and drugs is assumed to reduce to 4% by 2020. The health care inflation rate for dental care is assumed to reduce to 3% by 2015.

i. Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half (or 100% for former City of Toronto employees who retire) of unused sick time to a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A sick leave reserve fund is established to help reduce the future impact of these obligations.

Effective March 1, 2008, a new short-term disability plan for all management and non-union employees (approximately 4,000) came into effect. Under the new plan, existing employees in this group, who had a vested payout entitlement (10 or more years of service), will have their sick days and service frozen as of March 1, 2008 and will be entitled to a future payout of this frozen entitlement upon termination based on the former municipality's policy provisions. Employees with less than 10 years of service as of March 1, 2008 had their days frozen and will not be entitled to a future payout. Instead, they can use these days to top up their short-term disability plan, if necessary. The new short-term disability plan does not have a cash payout provision and will help contain sick leave benefit liabilities over time.

In addition, effective July 31, 2009, the City ratified new collective agreements with TCEU Local 416 and CUPE Local 79, which provided for a new Illness or Injury Plan ("IIP") to replace the existing Sick Pay Plan ("SPP") for all employees hired after July 31, 2009. During 2009, all employees hired on or before the date of ratification who were in an SPP were provided with a one-time option to join the new IIP, effective January 1, 2010, and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement. As a result, 40% of this group of employees joined the IIP, reducing the City's sick leave liability.

As of December 31, 2010, the balance in the sick leave reserve fund is $13,657 (2009 – $43,754) and is included as part of Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to $50,333 (2009 – $27,621).

ii. WSIB Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve Fund is established to help reduce the future impact of these obligations. As at December 31, 2010, the balance in the Workers' Compensation Reserve Fund is $16,987 (2009 – $22,685) and is included as part of the Employee Benefits Reserve Fund (Note 18). Payments during the year by the City to the WSIB amounted to $41,305 (2009 – $41,614).

iii. Other Employment and Post-Employment Benefits

The City provides health, dental, life insurance and long-term disability benefits to certain employees. The accrued liability represents the actuarial valuation of benefits to be paid based on the history of claims with City employees. An employee benefits reserve fund is established to help reduce the future impact of these obligations. As at December 31, 2010, the balance in the employee benefits reserve fund is $151,942 (2009 – $152,582) and is included as part of Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to $61,962 (2009 – $36,343).

b) Pension benefits

i. OMERS Pension Plan

The City makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of $6,745,000 (2009 – $6,469,000) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to $126,997 (2009 – $114,649) and are matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2010 was $539 (2009 – $605). Employer's contributions for current and past service are included as an expenditure on the consolidated statement of operations and accumulated surplus.

ii. TTC Pension Plan

The TTC participates in a multi-employer, defined benefit/defined contribution hybrid pension plan (the "hybrid pension plan") that covers substantially all of its employees. The pension plan is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members, based on the length of service and average base year (pensionable) earnings. The Society also administers defined benefit supplemental plans designed to pay employees and executives the difference between their earned pension under the bylaws of the Society and the maximum allowable pension under the Income Tax Act (Canada). As described in Note 2, the TTC Pension Plan is accounted for as a joint defined benefit plan. Accordingly, the City has accounted for its 50% portion of the plan in accordance with the standards for defined benefit plans.

Actuarial valuations of the pension plan are carried out each year, as at December 31, with the most recent valuation carried out on December 31, 2010. Plan assets are carried at market value. Since there is uncertainty about the TTC's right to the funded surplus, these amounts have not been reflected in the consolidated statement of financial position. As a result, the accrued benefit asset as at December 31, 2010 and 2009 is comprised solely of unamortized actuarial losses.

The significant actuarial assumptions for the TTC Pension plan are as follows:

	2010	2009
Discount rate	6.25%	6.75%
Expected rate of return on plan assets	6.25%	6.75%
Rate of increase in salaries	3.50%	3.50%
Inflation rate	2.00%	2.00%
Assumptions for disclosure:		
Discount rate	6.00%	6.25%
Expected rate of return on plan assets	6.00%	6.25%
Rate of increase in salaries	3.75%	3.50%
Inflation rate	2.25%	2.00%

iii. City Sponsored Pension Plans

The City sponsors five defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

The plans provide increases in pensions to retirees and their spouses to the extent that an actuarial surplus is available. As at December 31, 2010, there were 15 (2009 – 17) active members with an average age of 65. There were also 4,702 (2009 – 4,962) pensioners and 2,827 (2009 – 2,840) spousal beneficiaries in receipt of a pension, with an average age of 78. Pension payments and refunds during the year were approximately $177,955 (2009 – $185,859).

Employees contribute a portion (varying amounts ranging from 5% to 5.5%) of their salary to the pension plans for current service and the City contributes an equal amount. Member contributions cease upon completion of 35 years of service.

While the City and employees are required to contribute equal amounts into the pension plans, the City retains the risk of the accrued benefit obligation.

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro-rated on service. The most recent actuarial funding reports were prepared as at December 31, 2010. The accrued benefit obligation as at December 31, 2010 is based on actuarial valuations for accounting purposes as at December 31, 2010. The actuarial gains or losses in each of the five plans are accounted for in 2010.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.25% to 2.50% per annum (2009 – 2.40%) and the rate of compensation increase is estimated at 3.50% to 4.50% per annum (2009 – 3.56% to 4.50%) for determining the accrued benefit obligation. The discount rates used to determine the accrued benefit obligations are 5.90% to 6.25% (2009 – 4.75% to 6.50%) and the benefit cost is 6.00% to 6.50% (2009 – 6.75% to 7.00%) per annum.

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.9% to 6.50% (2009 – 6.00% to 6.50%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 9.34% (2009 – 13.9%). The pension plans hold the following mix of assets: Cash and equivalents of 2.8%, Bonds and Fixed Income of 46.3%, Canadian equities of 25.3% and foreign equities of 25.6%.

As at December 31, 2010 and 2009, two plans, the Toronto Civic Employees Pension Plan and Metropolitan Toronto Pension Plan are in a surplus position. Since there is uncertainty about the City's right to these accrued benefit assets, these amounts have not been reflected in the consolidated statement of financial position.

The other three plans (2009 – three plans), Metropolitan Toronto Police Pension Plan, City of York Employee Pension Plan and Toronto Firefighters Pension Plan, are in a deficit position. The net actuarial deficits of these plans are included in employee benefit liabilities on the consolidated statement of financial position as at December 31 and include the following components:

	2010			2009
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus (deficit)	Net actuarial surplus (deficit)
	$	$	$	$
Toronto Civic Employees Pension Plan	369,608	292,441	77,167	36,000
Metropolitan Toronto Pension Plan	563,574	547,641	15,933	6,921
Metropolitan Toronto Police Pension Plan	561,045	582,198	(21,153)	(56,992)
City of York Employee Pension Plan	50,012	53,956	(3,944)	(6,119)
Toronto Firefighters Pension Plan	272,590	276,678	(4,088)	(46,574)
Total of plans in deficit			**(29,185)**	**(109,685)**

16. Tangible capital assets

Tangible capital assets consist of the following:

	Cost	2010 Accumulated amortization	Net book value	2009 Net book value
	$	$	$	$
General				
Land	3,538,445	–	3,538,445	3,507,105
Land Improvements	614,863	289,364	325,499	309,672
Buildings and building improvements	5,825,861	1,990,681	3,835,180	3,460,742
Machinery and equipment	1,399,909	824,615	575,294	638,443
Motor vehicles	1,932,757	1,130,439	802,318	872,586
Total General	**13,311,835**	**4,235,099**	**9,076,736**	**8,788,548**
Infrastructure				
Land	137,676	–	137,676	133,302
Buildings and building improvements	365,650	120,988	244,662	249,420
Machinery and equipment	1,376,525	802,028	574,497	591,832
Water and wastewater linear	4,999,822	1,833,170	3,166,652	3,072,294
Roads linear	3,820,548	1,744,993	2,075,555	1,930,556
Transit	5,087,432	3,150,936	1,936,496	2,073,882
Total Infrastructure	**15,787,653**	**7,652,115**	**8,135,538**	**8,051,286**
Assets under construction	**2,376,829**	–	**2,376,829**	**1,549,073**
Total	**31,476,317**	**11,887,214**	**19,589,103**	**18,388,907**

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under the roads. Land improvements included outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Emergency Medical Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

Infrastructure assets are described as those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within the water and wastewater treatment plants and pumping stations related to the relevant processes. Water and wastewater infrastructure include the pipe networks which deliver the water and which remove the waste water. Road networks are inclusive of the road bases, surfaces and sidewalks. Transit infrastructure includes assets related to the subway system, rolling stock, track work and power distribution.

General machinery and equipment includes capital leases totaling $15,078 (2009 – $16,001).

Contributed Tangible Capital Assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Contributed assets received during the year were valued at $1,197 (2009 – $270), all of which were land contributions.

Works of Art and Historical Treasures

The City of Toronto owns both works of art and historical treasures at various City owned facilities such as Casa Loma, Old City Hall, and its museums, such as Fort York. The City of Toronto maintains and preserves these assets because of their historical and cultural significance. These assets are not recorded as tangible capital assets and are not amortized.

Additional information on the City's tangible capital assets is provided in Schedule 1.

17. Commitments and contingencies

a) The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendment to amounts accrued will be recorded once new information becomes available.

b) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 11) on the consolidated statement of financial position in the aggregate amount of $361,692 (2009 – $281,115).

c) In February 2005, December 2007, December 2008 and October 2009, contracts were awarded by the TTC for purchase of low-floor buses which comprised 694 diesel-electric hybrid buses and 395 diesel buses at a total purchase price of $755,500. At December 31, 2010, 95 of the 395 diesel buses are still to be delivered and the outstanding commitment is $89,400.

d) On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets. In May 2010, the TTC approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and 21 HG replacement trainsets for the total cost of $1,167,800. The first trainset was delivered in October 2010. As at December 31, 2010, the TTC had incurred costs of $635,500 which is included in assets under construction. At December 31, 2010, the outstanding commitment is $532,300.

e) In October 2008 and September 2010, contracts were awarded by the TTC for the purchase of 198 Wheel-Trans low-floor para-transit buses at a total cost of $70,600. At December 31, 2010, 110 buses had been delivered at a cost of $36,100 and the outstanding commitment is $34,500.

f) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles ("LRVs") at a total cost of $980,400. As at December 31, 2010, the TTC had incurred cost of $130,600, which is included in assets under construction. The first delivery of the LRVs is scheduled for 2012 and all 204 cars are to be delivered by 2018. At December 31, 2010, the outstanding commitment is $849,800.

g) At December 31, 2010, the TTC has other various capital project contractual commitments of $640,600 (2009 – $274,800). Of this amount, contractual commitments of $342,900 (2009 – $105,900) relate to the Toronto York Spadina Subway Extension project and $68,800 (2009 $1,000) relate to Metrolinx projects.

h) A class action lawsuit claiming $100,000 in damages was issued on March 24, 2010 against the City, the Province and the TTC. The lawsuit alleges that merchants and landlords along St.Clair Avenue West suffered business losses due to the St. Clair streetcar project. On April 6, 2011 the Ontario Superior Court of Justice dismissed the class action lawsuit, pending a 60 day postponement to permit claims to be made under the Expropriations Act through the Ontario Municipal Board. At this time, the Plaintiff has filed an appeal on the Court decision. As a result, the outcome of this claim is not determinable at this point and it is not possible to quantify the effect, if any, of this claim on these consolidated financial statements.

i) The TTC has a long-term provision for environmental costs of $6,218 (2009 – $6,485) to cover estimated costs of remediating sites with known contamination for which the TTC is responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Provision for environmental costs are recorded in other liabilities (Note 11) on the consolidated statement of fin ancial position.

j) Toronto Port Lands Company owns and controls lands in the Port Area with varying degrees of environmental contamination. The costs to remediate these lands depend on the timing and the final approved use of sites. Where costs cannot be reasonably determined at this time, a contingent liability exists. The environmental liability costs of $47,663 (2009 – $47,625) are recorded in other liabilities (Note 10) on the consolidated statement of financial position.

k) The Ministry of the Environment has issued Certificates of Approval for 28 (2009 – 27) of the identified 160 (2009 – 161) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 12).

l) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The Capital Loan and Line of Credit Guarantee Policy is limited to an aggregate of $125,000 and the Operating Loan and Line of Credit Policy is limited to an aggregate of $10,000 that can be issued by the City to these organizations. At December 31, 2010 the City has provided capital loan guarantees to certain third parties amounting to $58,650 (2009 – $96,235), and operating loan and line of credit guarantees of $4,300 (2009 – $4,800), primarily related to possible defaults in financial agreements for certain construction projects and for several cultural non-profit organizations. These are closely monitored and, to date, the City has been required to pay $249 regarding a default. This amount has been recorded in 2010 City receivable accounts and has also been included in allowance for doubtful accounts.

m) At December 31, 2010, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	$
2011	47,411
2012	38,186
2013	29,606
2014	19,092
2015	14,787
Thereafter	53,625
	202,707

18. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2010	2009
	$	$
Invested in tangible capital assets (Note 16)	19,589,103	18,388,907
Operating fund	2,046,730	2,344,418
Capital fund	(910,537)	(872,689)
Reserves and reserve funds	1,355,092	1,460,612
	22,080,388	21,321,248
Amounts to be recovered from future revenues:		
Mortgages (Note 13)	(803,636)	(840,627)
Net long-term debt (Note 14)	(2,890,472)	(2,798,585)
Recoverable from TDSB (Note 14)	33,815	37,837
Landfill closure and post-closure liabilities (Note 12)	(121,058)	(123,343)
Employee benefits (Note 15)	(2,588,957)	(2,503,414)
Other	(225,026)	(161,906)
	(6,595,334)	(6,390,038)
	15,485,054	**14,931,210**

Reserves and reserve funds consist of the following:

	2010	2009
Reserves:	$	$
Corporate	319,724	344,869
Stabilization	151,914	68,953
Water and Wastewater	56,564	74,364
Donations	2,045	1,800
Community Initiatives	23	23
	530,270	490,009
Reserve Funds:		
Employee Benefits (Note 15)	182,586	219,021
Corporate	414,402	510,333
Community Initiatives	91,277	103,825
State of Good Repair	136,557	137,424
	824,822	**970,603**

19. Budget Data – unaudited

Budget data presented in these consolidated financial statements are based upon the 2010 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these consolidated statements.

	Budget Amount $
Revenue	
Approved budgets:	
Operating	9,184,391
Capital	3,279,753
Reserve	28,335
	12,492,479
Adjustments:	
Proceeds on disposal of assets	(2,000)
Proceeds on debt issue	(1,060,311)
Total revenue	**11,430,168**
Expenses	
Approved budgets:	
Operating	9,320,505
Capital	3,780,195
	13,100,700
Adjustments:	
Tangible Capital Assets (TCA)	(2,900,000)
Amortization	1,000,000
Debt principal repayments	(253,663)
Total expenses	**10,947,037**
Annual surplus	**483,131**

20. Funding Transfers from Other Governments

	2010 $	2009 $
General government	106,000	325,987
Protection to persons & property	50,553	23,948
Transportation	664,285	508,698
Environmental services	106,062	40,709
Health services	256,048	243,284
Social and family services	1,548,849	1,325,435
Social Housing	372,880	488,965
Recreation and cultural services	31,578	20,108
Planning and development	36,987	16,334
	3,173,242	**2,993,468**

21. Expenses by Object

Expenses by object comprise the following:

	2010	2009
	$	$
Salaries, wages and benefits (Note 15)	4,826,928	4,523,437
Materials	1,072,005	939,768
Contracted services	1,386,031	1,356,914
Interest on long-term debt	273,275	229,503
Transfer payments	1,636,974	1,638,412
Amortization (Schedule 1)	1,018,351	1,071,896
Other	328,614	195,470
	10,542,178	**9,955,400**

22. Segmented Information

The City provides a wide range of services to its citizens. Certain services are delivered on behalf of another level of government, a number of services are cost shared, and some services are fully funded by the municipality. Services are delivered through a number of different agencies, boards, commissions, and divisions, with certain services delivered directly, while others may be fully or partially contracted through other organizations.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment, as well as amounts that are allocated to the segment on a reasonable basis. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in Note 1.

The segmented information is provided in Appendices 2 to 4 of the consolidated financial statements.

Appendix 2 includes the following segments:

- General government is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These divisions are responsible for bylaws and administrative policies, levying taxes, acquiring and managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.

- Protection to persons and property is comprised of police, fire and other protective services such as Bylaw Enforcement, Animal Control, Vehicle and Business Licensing, Security and Provincial Offences. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcements, and preserving peace and good order.

- Transportation includes transit, roads, traffic and parking services. Transit services provide local public transportation for all citizens within the City of Toronto. Other transportation services provide planning, development, and maintenance of roads, traffic operations, parking, winter control and street lighting.

- Environmental Services include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.

- Health Services include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic Services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.

- Social and family services include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.

- Social housing provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.

- Recreation and cultural services include parks services, recreational programs, recreation facilities, Golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.

- Planning and development manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

Appendix 3 and 4 reflect disclosure by entity which are significant agencies, boards and commissions for the City of Toronto

23. Trust Funds

Trust funds administered by the City amounting to $26,673 (2009 – $27,552) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus. Trust fund balances as at December 31 are as follows:

	2010	2009
	$	$
Keele Valley Site Post-Closure Trust Fund (Note 11)	7,421	7,409
Development Charges Trust Fund – Railway Lands	7,145	7,122
Homes for the Aged Trust Fund – Residents	6,429	7,301
Community Services Levies Trust Fund	1,167	1,159
Contract Aftercare Trust Fund	1,056	1,052
Waterpark Place Trust Fund	1,041	1,034
90 Lisgar Street Trust Fund	599	595
Development Charges Trust Fund – Queen's Quay	522	518
Heritage and Culture Trust Funds	388	386
Lakeshore Pedestrian Bridge Trust Fund	239	238
Children's Greenhouse Trust Fund – Allan Gardens	109	109
Green Lane Small Claims Trust Fund	105	104
Candidates' Municipal Election Surpluses Trust Fund	62	129
Police Trust Funds	64	87
Other trust funds	326	309
	26,673	**27,552**

24. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2010.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

	2010								
	Cost 2010				Accumulated Amortization 2010				Net Book Value 2010
	Beginning	Additions	Disposals/ Transfers	Ending	Beginning	Amortization	Disposals	Ending	
General									
Land	3,507,105	46,149	(14,809)	3,538,445	–	–	–	–	3,538,445
Land Improvements	589,364	28,953	(3,454)	614,863	279,690	12,994	(3,320)	289,364	325,499
Buildings and building improvements	5,264,908	579,505	(18,552)	5,825,861	1,804,166	187,047	(532)	1,990,681	3,835,180
Machinery and equipment	1,346,966	91,091	(38,148)	1,399,909	708,527	163,263	(47,175)	824,615	575,294
Vehicles	1,840,514	156,030	(63,787)	1,932,757	967,922	205,500	(42,983)	1,130,439	802,318
Total General	**12,548,857**	**901,728**	**(138,750)**	**13,311,835**	**3,760,305**	**568,804**	**(94,010)**	**4,235,099**	**9,076,736**
Infrastructure									
Land	133,302	4,374	–	137,676	–	–	–	–	137,676
Buildings and building improvements	365,650	–	–	365,650	116,230	4,758	–	120,988	244,662
Machinery and equipment	1,359,409	17,869	(753)	1,376,525	767,577	34,758	(307)	802,028	574,497
Water and wastewater linear	4,851,337	156,676	(8,191)	4,999,822	1,779,043	58,532	(4,405)	1,833,170	3,166,652
Roads linear	3,639,177	238,521	(57,150)	3,820,548	1,708,622	83,739	(47,368)	1,744,993	2,075,555
Transit	4,979,031	110,714	(2,313)	5,087,432	2,905,149	267,760	(21,973)	3,150,936	1,936,496
Total infrastructure	**15,327,906**	**528,154**	**(68,407)**	**15,787,653**	**7,276,621**	**449,547**	**(74,053)**	**7,652,115**	**8,135,538**
Assets under construction	**1,549,073**	**1,216,200**	**(388,444)**	**2,376,829**	–	–	–	–	**2,376,829**
TOTAL	**29,425,836**	**2,646,082**	**(595,601)**	**31,476,317**	**11,036,926**	**1,018,351**	**(168,063)**	**11,887,214**	**19,589,103**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2009

(all dollar amounts in thousands of dollars)

2009

	Cost 2009					Accumulated Amortization 2009				Net Book Value 2009
	Beginning	Additions	Disposals/ Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,474,553	55,511	(22,959)	–	3,507,105	–	–	–	–	3,507,105
Land Improvements	578,719	10,869	(224)	–	589,364	265,774	14,555	(637)	279,692	309,672
Buildings and building improvements	4,620,717	648,097	(3,906)	–	5,264,908	1,603,997	201,336	(1,167)	1,804,166	3,460,742
Machinery and equipment	1,242,089	127,378	(22,501)	–	1,346,966	614,084	116,909	(22,470)	708,523	638,443
Vehicles	1,715,159	191,767	(66,412)	–	1,840,514	832,274	200,889	(65,235)	967,928	872,586
Total General	**11,631,237**	**1,033,622**	**(116,002)**	**–**	**12,548,857**	**3,316,129**	**533,689**	**(89,509)**	**3,760,309**	**8,788,548**
Infrastructure										
Land	133,302	–	–	–	133,302	–	–	–	–	133,302
Buildings and building improvements	362,380	3,270	–	–	365,650	111,584	4,646	–	116,230	249,420
Machinery and equipment	1,307,762	52,336	(689)	–	1,359,409	733,004	35,025	(452)	767,577	591,832
Water and wastewater linear	4,731,541	121,492	(1,696)	–	4,851,337	1,724,466	56,038	(1,461)	1,779,043	3,072,294
Roads linear	3,546,026	114,635	(21,484)	–	3,639,177	1,642,727	81,246	(15,352)	1,708,621	1,930,556
Transit	4,852,336	126,695	–	–	4,979,031	2,543,897	361,252		2,905,149	2,073,882
Total infrastructure	**14,933,347**	**418,428**	**(23,869)**	**–**	**15,327,906**	**6,755,678**	**538,207**	**(17,265)**	**7,276,620**	**8,051,286**
Assets under construction	**1,147,166**	**401,995**	**(88)**	**–**	**1,549,073**	**–**	**–**	**–**	**–**	**1,549,073**
TOTAL	**27,711,750**	**1,854,045**	**(139,959)**	**–**	**29,425,836**	**10,071,807**	**1,071,896**	**(106,774)**	**11,036,929**	**18,388,907**

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

Condensed Financial Results ($) Fiscal Year Ended	Toronto Hydro Corporation December 31		Toronto Parking Authority December 31		Enwave October 31		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial Position								
Assets								
Current	805,310	683,299	29,893	21,374	38,593	30,637	873,796	735,310
Capital	2,128,777	1,919,954	144,611	131,544	294,751	290,449	2,568,139	2,341,947
Other	434,774	455,974	66,987	70,024	23,876	22,335	525,637	548,333
	3,368,861	**3,059,227**	**241,491**	**222,942**	**357,220**	**343,421**	**3,967,572**	**3,625,590**
Liabilities								
Current	640,385	336,739	43,542	49,688	16,875	21,784	700,802	408,211
Long-term	1,689,097	1,724,234	8,896	4,000	110,745	103,194	1,808,738	1,831,428
	2,329,482	**2,060,973**	**52,438**	**53,688**	**127,620**	**124,978**	**2,509,540**	**2,239,639**
Net equity	**1,039,379**	**998,254**	**189,053**	**169,254**	**229,600**	**218,443**	**1,458,032**	**1,385,951**
City's share (Note 7)	**1,007,781**	**963,672**	**189,053**	**169,254**	**62,951**	**57,857**	**1,259,785**	**1,190,783**
Results of Operations								
Revenues	2,621,213	2,464,878	147,818	125,122	80,271	89,319	2,849,302	2,679,319
Expenses	2,555,088	2,422,745	68,726	62,985	69,114	80,503	2,692,928	2,566,233
Net income (loss)	**66,125**	**42,133**	**79,092**	**62,137**	**11,157**	**8,816**	**156,374**	**113,086**
City's share (Note 7)	**66,125**	**42,133**	**79,092**	**62,137**	**4,799**	**3,791**	**150,016**	**108,061**
Distribution to City (Note 7)	–	–	59,293	55,888	–	–	59,293	55,888
Dividends paid to City (Note 7)	25,000	25,170	–	–	–	–	25,000	25,170
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 7)	31,598	34,582	–	–	–	–	31,598	34,582
Net book value of assets transferred from Enwave to the City (Note 7)	–	–	–	–	35,817	36,109	35,817	36,109

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2010 – APPENDIX 2

for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

	2010									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	3,968,421	–	–	–	–	–	–	–	–	3,968,421
User charges	48,257	156,420	1,049,019	1,010,679	3,353	68,362	16,869	157,205	18,929	2,529,093
Government transfers	106,000	50,553	664,285	106,062	256,048	1,548,849	372,880	31,578	36,987	3,173,242
Net GBE income	153,294	–	–	–	–	–	–	–	–	153,294
Other	294,387	109,024	234,283	152,235	4,125	20,754	319,564	78,294	59,306	1,271,972
TOTAL REVENUES	**4,570,359**	**315,997**	**1,947,587**	**1,268,976**	**263,526**	**1,637,965**	**709,313**	**267,077**	**115,222**	**11,096,022**
Salaries, wages and benefits	382,908	1,374,613	1,287,947	260,291	319,874	544,935	117,162	488,946	50,252	4,826,928
Materials	323,879	8,827	468,567	126,599	22,903	30,975	17,198	68,493	4,564	1,072,005
Contracted services	187,445	45,608	236,110	273,028	35,541	261,991	204,259	84,878	57,171	1,386,031
Interest on long-term debt	26,338	12,274	122,492	9,479	866	3,507	74,067	20,025	4,227	273,275
Transfer payments	55,163	46,840	71,716	76,061	12,953	1,184,359	161,815	43,227	(15,160)	1,636,974
Other	70,367	29,860	10,261	14,695	3,230	13,265	133,687	26,726	26,523	328,614
Amortization	19,664	51,688	636,851	123,744	5,904	1,801	110,099	63,615	4,985	1,018,351
TOTAL EXPENSES	**1,065,764**	**1,569,710**	**2,833,944**	**883,897**	**401,271**	**2,040,833**	**818,287**	**795,910**	**132,562**	**10,542,178**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,504,595**	**(1,253,713)**	**(886,357)**	**385,079**	**(137,745)**	**(402,868)**	**(108,974)**	**(528,833)**	**(17,340)**	**553,844**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2009 – APPENDIX 2

for the year ended December 31, 2009

(all dollar amounts in thousands of dollars)

	2009									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	3,756,059	–	–	–	–	–	–	–	–	3,756,059
User charges	49,645	129,525	953,385	948,658	3,187	65,808	16,210	130,153	12,593	2,309,164
Government transfers	501,709	23,948	332,976	40,709	243,284	1,325,435	488,965	20,108	16,334	2,993,468
Net GBE income	108,657	–	–	–	–	–	–	–	–	108,657
Other	118,460	31,870	457,546	197,677	4,857	8,118	268,275	125,897	34,443	1,247,143
TOTAL REVENUES	**4,534,530**	**185,343**	**1,743,907**	**1,187,044**	**251,328**	**1,399,361**	**773,450**	**276,158**	**63,370**	**10,414,491**
Salaries, wages and benefits	306,801	1,326,458	1,251,568	249,188	296,319	491,958	110,299	446,731	44,115	4,523,437
Materials	154,489	61,799	431,526	107,347	23,117	38,990	30,601	70,675	21,224	939,768
Contracted services	163,018	24,692	241,491	298,347	33,748	257,893	195,435	118,889	23,401	1,356,914
Interest on long-term debt	13,372	11,066	101,027	12,093	834	4,810	63,463	21,298	1,540	229,503
Transfer payments	39,777	47,616	(54,856)	79,624	14,048	1,140,657	312,914	39,948	18,684	1,638,412
Other	60,747	16,038	7,596	23,239	3,108	12,136	28,355	27,870	16,381	195,470
Amortization	65,300	37,566	717,844	103,837	5,289	–	96,719	43,698	1,643	1,071,896
TOTAL EXPENSES	**803,504**	**1,525,235**	**2,696,196**	**873,675**	**376,463**	**1,946,444**	**837,786**	**769,109**	**126,988**	**9,955,400**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,731,026**	**(1,339,892)**	**(952,289)**	**313,369**	**(125,135)**	**(547,083)**	**(64,336)**	**(492,951)**	**(63,618)**	**459,091**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

2010

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	3,968,421	–	–	–	–	–	3,968,421
User charges	1,479,898	6,790	934,889	4,129	16,869	86,518	2,529,093
Government transfers	2,993,760	38,694	–	4,646	95,520	40,622	3,173,242
Net GBE income	153,294	–	–	–	–	–	153,294
Other	696,871	100,366	60,270	6,293	317,391	90,781	1,271,972
TOTAL REVENUES	**9,292,244**	**145,850**	**995,159**	**15,068**	**429,780**	**217,921**	**11,096,022**
Salaries, wages and benefits	2,379,766	951,491	1,141,766	144,867	117,162	91,876	4,826,928
Materials	629,890	31,376	371,165	3,069	17,198	19,307	1,072,005
Contracted services	1,086,081	9,480	32,658	(24,690)	204,259	78,243	1,386,031
Interest on long–term debt **	190,104	9,104	–	–	74,067	–	273,275
Transfer payments	3,671,763	9,063	(1,397,054)	(192,821)	(413,331)	(40,646)	1,636,974
Other	134,607	20,248	2,962	–	133,687	37,110	328,614
Amortization	282,425	44,978	542,319	27,596	110,497	10,536	1,018,351
TOTAL EXPENSES	**8,374,636**	**1,075,740**	**693,816**	**(41,979)**	**243,539**	**196,426**	**10,542,178**
ANNUAL SURPLUS/ (DEFICIENCY)	**917,608**	**(929,890)**	**301,343**	**57,047**	**186,241**	**21,495**	**553,844**

**As at December 31, the City has issued $1,806,229 in debentures for capital expenditures made on behalf of the TTC (2009: $1,595,168). Included in interest on long-term debt is $91,269 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2009

(all dollar amounts in thousands of dollars)

2009

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	3,756,059	–	–	–	–	–	3,756,059
User charges	1,366,391	5,904	839,327	2,094	16,210	79,238	2,309,164
Government transfers	2,692,744	22,447	97,913	8,180	147,520	24,664	2,993,468
Net GBE income	108,657	–	–	–	–	–	108,657
Other	845,158	22,899	54,832	3,502	266,678	54,074	1,247,143
TOTAL REVENUES	**8,769,009**	**51,250**	**992,072**	**13,776**	**430,408**	**157,976**	**10,414,491**
Salaries, wages and benefits	2,210,003	868,152	1,111,692	143,228	110,299	80,063	4,523,437
Materials	519,273	12,699	339,404	3,301	30,601	34,490	939,768
Contracted services	1,061,950	8,731	27,864	18,939	195,435	43,995	1,356,914
Interest on long-term debt **	155,002	7,446	–	2,170	64,885	–	229,503
Transfer payments	1,512,933	8,691	3,131	–	107,826	5,831	1,638,412
Other	150,916	5,019	–	3,128	28,355	8,052	195,470
Amortization	277,862	33,061	632,786	25,962	98,178	4,047	1,071,896
TOTAL EXPENSES	**5,887,939**	**943,799**	**2,114,877**	**196,728**	**635,579**	**176,478**	**9,955,400**
ANNUAL SURPLUS/ (DEFICIENCY)	**2,881,070**	**(892,549)**	**(1,122,805)**	**(182,952)**	**(205,171)**	**(18,502)**	**459,091**

**As at December 31, the City has issued $1,595,168 in debentures for capital expenditures made on behalf of the TTC (2008: $1,496,274). Included in interest on long-term debt is $79,869 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY – APPENDIX 4

for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

2010 and 2009

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Port Lands Company	Toronto Public Library	Other Agencies, Boards and Commissions	TOTAL
2010							
General							
Cost	6,453,336	3,105,012	3,077,285	173,653	355,014	147,535	13,311,835
Accumulated amortization	1,530,869	1,682,463	825,468	13,434	145,351	37,514	4,235,099
Net Book Value	**4,922,467**	**1,422,549**	**2,251,817**	**160,219**	**209,663**	**110,021**	**9,076,736**
Infrastructure							
Cost	10,700,220	5,087,432	–	–	–	–	15,787,652
Accumulated amortization	4,501,178	3,150,936	–	–	–	–	7,652,114
Net Book Value	**6,199,042**	**1,936,496**	**–**	**–**	**–**	**–**	**8,135,538**
Assets under construction	**723,125**	**1,537,760**	**106,356**	**–**	**9,588**	**–**	**2,376,829**
Total	**11,844,634**	**4,896,805**	**2,358,173**	**160,219**	**219,251**	**110,021**	**19,589,103**
2009							
General							
Cost	6,253,177	2,955,776	2,843,788	57,999	321,389	116,728	12,548,857
Accumulated amortization	1,456,912	1,407,904	715,197	10,093	139,186	31,017	3,760,309
Net Book Value	**4,796,265**	**1,547,872**	**2,128,591**	**47,906**	**182,203**	**85,711**	**8,788,548**
Infrastructure							
Cost	10,348,874	4,979,032	–	–	–	–	15,327,906
Accumulated amortization	4,371,470	2,905,150	–	–	–	–	7,276,620
Net Book Value	**5,977,404**	**2,073,882**	**–**	**–**	**–**	**–**	**8,051,286**
Assets under construction	**410,712**	**883,798**	**112,187**	**117,833**	**23,978**	**565**	**1,549,073**
Total	**11,184,381**	**4,505,552**	**2,240,778**	**165,739**	**206,181**	**86,276**	**18,388,907**

GLOSSARY

ABC: The City's agencies, boards and commissions are referred to as ABCs.

Accrual Accounting: the accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of legal obligation to pay. This is also known as the full accrual basis of accounting. Previously municipal governments did not capitalize tangible capital assets and recorded them as expenditures. This was the only exception to the accrual basis of accounting and therefore municipal accounting was previously referred to as the modified accrual basis of accounting.

Accumulated amortization: the sum of all amortization expensed on a given asset or asset class to-date.

Accumulated surplus: the difference between the City's non-financial assets and its net debt. The accumulated surplus is the sum of: assets invested in tangible capital assets, the operating, capital and reserve funds, net of amounts to be recovered.

Amortization expense: annual charge to expense to represent allocation of an asset's cost over its useful life.

Amounts to be recovered: the sum of items that have not been included in previous budgets and that will be recovered from future rates or taxes. Amounts to be recovered consist of outstanding debt, unfunded future employment costs, unfunded landfill post-closure costs, as well as unfunded environmental, property and liability claims.

BOG: the Board of Governors of Exhibition Place

Budget – operating: an outline of the government's operating revenue and expense plan for the upcoming year. The Operating Budget is formally presented early each year, and is subject to public consultation and debate prior to approval. Separate operating budgets are prepared for the tax supported and each of the rate supported areas. The Operating Budget sets out the amount of taxes to be collected for the year, as well as fees to be charged and authorized expenses.

Budget – capital: an outline of the government's capital revenue and expense plans for the upcoming year. Certain capital projects are budgeted on a life-to-date basis.

Business Improvement Area (BIA): A Business Improvement Area is an association of commercial property owners and tenants within a defined area who work in partnership with the City to create thriving, competitive, and safe business areas that attract shoppers, diners, tourists, and new businesses.

CICA: the Canadian Institute of Chartered Accountants. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government.

City of Toronto Act, 2006: an Ontario Statute that outlines the broad permissive powers of the City of Toronto to pass bylaws that range from public safety, to the City's economic, social and environmental well being.

Consolidated statements: financial statements which include all of all entities controlled by the City.

Consolidation: inclusion of all entities controlled by the City, except for those which qualify as government business enterprises, on a line-by-line basis in the City's financial statements.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. The uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of a contract or agreement are met.

CVA: Under Current Value Assessment a property is assessed for tax purposes at the price that it would be expected to sell for by a willing seller to a willing buyer.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: a financial obligation from borrowing money.

Deferred revenue: amounts received regarding obligatory reserve funds or funds with other internal or external restrictions, which have remain unspent at year end. These amounts are shown with liabilities and are recognized in revenue when they are spent for their intended purpose.

Deficit: the amount, if any, by which government expenses exceed revenues in any given year. Unlike the senior levels of government, municipalities cannot budget to run a deficit.

Derivatives: financial contracts that derive their value from other underlying instruments. TCHC has used a derivative to hedge interest costs.

Employee Benefits Liability – Gross: the present value of the expected payouts for benefits which employees have earned at year end. This amount is calculated by the City's actuaries every three years, and updated based on actual data between valuations.

Employee Benefits Liability – Net: the amount recorded in the Statement of Financial Position representing the present value of the expected payouts for benefits which employees have earned at year end, after allowing for the required smoothing of actuarial gains and losses. PSAB requires amortization of each actuarial gain or loss over the Expected Average remaining Service Life of the employee group, at the time of the actuarial valuation. This net liability may be lower than the gross liability when actuarial losses exceed gains (as in 2008), or larger than the gross liability when gains exceed losses (as in 2009).

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; and a financial claim on an outside organization or individual.

Fiscal Year: the City of Toronto's fiscal year runs from January 1 to December 31.

GAAP: generally accepted accounting principles, as laid out in the relevant Handbook – the Public Sector Accounting Handbook for government organizations and the CICA Handbook or IFRS for Government Business Enterprises.

GAAS: generally accepted auditing standards, standards established by Canadian Institute of Chartered Accountants (CICA) for use by public accountants when conducting external audits of the financial statements.

Government Business Enterprise (GBE): an organization that has all of the following characteristics: a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued; b) it has been delegated the financial and operational authority to carry on a business; c) it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Government business enterprises are accounted for under the modified equity method.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The City can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

International Financial Reporting Standards (IFRS): Government Business Enterprises must follow IFRS for fiscal years beginning on or after January 1, 2011. Other government organizations may also choose to follow IFRS. IFRS reporting is also mandatory for publicly accountable (non-government) enterprises beginning in 2011. IFRSs are now available in part I of the CICA Handbook.

Liabilities: are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. These liabilities have three essential characteristics: (a) they embody a duty or responsibility to others, leaving a government little or no discretion to avoid settlement of the obligation; (b) the duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand; and (c) the transactions or events obligating the government have already occurred.

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation in the event of default by the borrower.

LTD: Long Term Disability

Modified Equity Method of Accounting: investment balances are adjusted for any earnings or losses of the government business enterprise, without adjustment to correspond to public sector GAAP.

MPAC: The Municipal Property Assessment Corporation is a non profit organization which serves Ontario property taxpayers together with provincial and municipal stakeholders by providing property assessments and enumeration services.

Multi-employer Pension Plan: is a defined benefit pension plan to which two or more governments or government organizations contribute, usually pursuant to legislation or one or more collective bargaining agreements. The main distinguishing characteristic of a multiemployer plan is that the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus may be used to provide benefits to employees of all participating entities.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the City's total liabilities and financial assets. It represents the City's future revenue requirements to pay for past transactions and events.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Obligatory reserve funds: amounts collected from developers or through other legislation or legal agreement, which must be spent in a prescribed manner.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

PSAB: the Public Sector Accounting Board (PSAB) of the CICA sets standards and provides guidance for financial and other performance information reported by the public sector.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Recognition: the process of including an item in the financial statements of an entity.

Reserves and reserve funds: fiscal and accounting entity segregated by Municipal Council for the purpose of carrying on specific activities or attaining certain objectives in accordance with internally or externally established restrictions or limitations. By City policy and practice, interest earnings are applied only to reserve funds, while reserves do not earn interest.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset less the residual value by ii) the number of years the asset is expected to be used.

Surplus: the amount by which revenues exceed expenses in any given year.

TAF: The Toronto Atmospheric Fund

Tangible Capital Assets: physical assets including land, buildings, transportation and transit infrastructure, water & wastewater infrastructure, vehicles and equipment. These assets are recorded in the City's consolidate financial statements for the first time in 2009.

TCHC: The Toronto Community Housing Corporation

TDSB: The Toronto District School Board

TEDCO: Toronto Economic Development Corporation, carrying on business as Toronto Portlands Company (TPLC)

TPLC: see TEDCO

Total Debt: the City's total borrowings outstanding.

TPA: Toronto Parking Authority

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase or sale transaction; expect to be repaid, as would be expected in a loan; or expect a financial return, as would be expected in an investment.

TTC: The Toronto Transit Commission

TWRC: The Toronto Waterfront Revitalization Corporation

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

WSIB: The Workplace Safety and Insurance Board